

**REPORT OF THE AUDIT OF THE
OHIO COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2011**



**ADAM H. EDELEN
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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable David Johnston, Ohio County Judge/Executive

Members of the Ohio County Fiscal Court

The enclosed report prepared by Kem, Duguid & Associates, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ohio County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Kem, Duguid & Associates, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Kem, Duguid & Associates, PSC evaluated Ohio County, Kentucky's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OHIO COUNTY FISCAL COURT

June 30, 2011

Kem, Duguid & Associates, PSC, has completed the audit of the Ohio County Fiscal Court for fiscal year ended June 30, 2011.

The financial statements of Ohio County Hospital Corporation, a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Ohio County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information.

Financial Condition:

The fiscal court had total net assets of \$13,976,651 as of June 30, 2011. The fiscal court had unrestricted net assets of \$2,124,519 in its governmental activities as of June 30, 2011, with total net assets of \$10,623,953. In its business-type activities, total net cash and cash equivalents were \$46,893 with total net assets of \$3,352,698. The fiscal court's discretely presented component unit had net assets of \$8,740,990 as of June 30, 2011. The discretely presented component unit had net cash and cash equivalents of \$2,015,946. The fiscal court had total debt principal as of June 30, 2011 of \$2,099,875 with \$844,222 due within the next year. The discretely presented component unit had total debt principal as of June 30, 2011 of \$5,859,221 with \$720,399 due within the next year.

Report Comments:

2011-01 The Ohio County Airport Board Deposits Were Not Made Timely
2011-02 The Ohio County Detention Center Deposits Were Not Made Timely

Deposits:

The fiscal court and component unit's deposits were insured and collateralized by bank securities or bonds.

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MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable David Johnston, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ohio County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Ohio County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Ohio County Hospital Corporation, a discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit opinion unit is based on the report of the other auditors. Those financial statements reflect 100% of assets and revenues of the discretely presented component unit opinion unit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. The financial statements of the Ohio County Hospital Corporation were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

As described in Note 1, Ohio County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Ohio County Hospital Corporation, a discretely presented component unit, are presented in accordance with the accrual basis of accounting and, therefore, include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accruals affect the financial statements are not reasonably determinable.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable David Johnston, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Ohio County Hospital Corporation's financial statements been prepared using the same basis of accounting as Ohio County, Kentucky, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of Ohio County, Kentucky, as of June 30, 2011, and the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ohio County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ohio County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

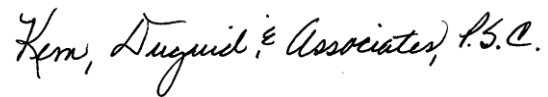
In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2012, on our consideration of Ohio County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable David Johnston, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

2011-01 The Ohio County Airport Board Deposits Were Not Made Timely
2011-02 The Ohio County Detention Center Deposits Were Not Made Timely

Respectfully submitted,

A handwritten signature in black ink that reads "Kem, Duguid & Associates, P.S.C." in a cursive script.

Kem, Duguid & Associates, PSC

March 19, 2012

OHIO COUNTY OFFICIALS

For The Year Ended June 30, 2011

Fiscal Court Members:

David Johnston	County Judge/Executive
Michael McKenney	Magistrate
Jason Bullock	Magistrate
Brandon Thomas	Magistrate
Larry Keown	Magistrate
Kenny Autry	Magistrate

Other Elected Officials:

Greg Hill	County Attorney
Gerry Wright	Jailer
Bess Ralph	County Clerk
David Thompson	Sheriff
Jason Chinn	Property Valuation Administrator
Larry Bevil	Coroner

Appointed Personnel:

Anne Melton	County Treasurer
Janice Embry	Finance Officer
Lugenia Sapp	Occupational Tax Collector
Joseph Woods	Road Supervisor
Carol Smith	911 Administrator/Director
Sharon Wright	Jail Administrative Assistant/Bookkeeper

OHIO COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

OHIO COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Ohio County Hospital Corporation 9/30/2011
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 3,494,624	\$ 46,893	\$ 3,541,517	\$ 2,015,946
Assets Limited to Use				758,116
Patient Accounts Receivable				3,858,634
Other Accounts Receivable				415,437
Supplies				739,515
Prepaid Expenses and Other				150,561
Total Current Assets	<u>3,494,624</u>	<u>46,893</u>	<u>3,541,517</u>	<u>7,938,209</u>
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Construction In Progress		307,471	307,471	397,146
Land and Land Improvements	948,296	2,557,173	3,505,469	640,994
Buildings and Building Improvements	3,750,364	437,130	4,187,494	4,442,997
Machinery and Equipment	1,620,973	4,031	1,625,004	2,777,205
Vehicles	769,318		769,318	
Infrastructure	2,140,253		2,140,253	
Deferred Financing Costs, At Amortized Cost				105,710
Other				59,353
Hospital Assets Held by Trustee				699,445
Total Noncurrent Assets	<u>9,229,204</u>	<u>3,305,805</u>	<u>12,535,009</u>	<u>9,122,850</u>
Total Assets	<u>12,723,828</u>	<u>3,352,698</u>	<u>16,076,526</u>	<u>17,061,059</u>
LIABILITIES				
Current Liabilities:				
Bonds Payable				575,000
Financing Obligations Payable	844,222		844,222	145,399
Accounts Payable				544,452
Accrued Payroll and Other Expenses				1,058,469
Unearned Revenue				262,927
Estimated Amounts Due to Third-Party Payers				595,000
Total Current Liabilities	<u>844,222</u>	<u></u>	<u>844,222</u>	<u>3,181,247</u>
Noncurrent Liabilities:				
Bonds Payable				4,880,000
Financing Obligations Payable	1,255,653		1,255,653	258,822
Total Noncurrent Liabilities	<u>1,255,653</u>	<u></u>	<u>1,255,653</u>	<u>5,138,822</u>
Total Liabilities	<u>2,099,875</u>	<u></u>	<u>2,099,875</u>	<u>8,320,069</u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2011
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Ohio County Hospital Corporation 9/30/2011
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	7,129,329	3,305,805	10,435,134	\$ 2,399,121
Restricted For:				
General Health and Sanitation	796,104		796,104	
Protection to Persons and Property	153,691		153,691	
Roads	420,310		420,310	
Capital Projects				403,968
Debt Service				273,400
Unrestricted	2,124,519	46,893	2,171,412	5,664,501
Total Net Assets	<u>\$ 10,623,953</u>	<u>\$ 3,352,698</u>	<u>\$ 13,976,651</u>	<u>\$ 8,740,990</u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011

OHIO COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 4,708,956	\$ 53,247	\$ 1,150,088	\$
Protection to Persons and Property	1,419,407	265,925	150,199	
General Health and Sanitation	203,500	318,191	50,911	
Social Services	420,864	5,029	9,870	38,244
Recreation and Culture	219,824	95,524	34,008	
Roads	2,077,519		2,116,396	
Airports	11,046			
Interest on Long-Term Debt	104,616			
Capital Projects	35,636			
Total Governmental Activities	9,201,368	737,916	3,511,472	38,244
Business-type Activities:				
Jail Canteen	7,409	11,396		
Airport Board	124,788	9,725		304,515
Total Business-type Activities	132,197	21,121		304,515
Total Primary Government	\$ 9,333,565	\$ 759,037	\$ 3,511,472	\$ 342,759
Discretely Presented Component Unit:				
Ohio County Hospital Corporation	\$ 27,984,155	\$ 26,949,560	\$ 0	\$ 0

General Revenues:

Taxes:
Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational/Net Profit Taxes
Deed Transfer Taxes
Auto Sticker Taxes
Telephone 911 Taxes
Franchise Taxes
Other Taxes
Excess Fees
Reimbursements
Interest Received
Miscellaneous Revenues

Total General Revenues
Change in Net Assets
Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit 9/30/2011
Governmental Activities	Business-Type Activities	Totals	
\$ (3,505,621)	\$	\$ (3,505,621)	\$
(1,003,283)		(1,003,283)	
165,602		165,602	
(367,721)		(367,721)	
(90,292)		(90,292)	
38,877		38,877	
(11,046)		(11,046)	
(104,616)		(104,616)	
(35,636)		(35,636)	
(4,913,736)		(4,913,736)	
	3,987	3,987	
	189,452	189,452	
	193,439	193,439	
(4,913,736)	193,439	(4,720,297)	
			(1,034,595)
459,505		459,505	
1,740		1,740	
80,777		80,777	
2,377,995		2,377,995	
36,480		36,480	
205,860		205,860	
355,760		355,760	
151,369		151,369	
50,912		50,912	
952,926		952,926	
745,015		745,015	
23,654	230	23,884	8,525
123,964	31,419	155,383	818,329
5,565,957	31,649	5,597,606	826,854
652,221	225,088	877,309	(207,741)
9,971,732	3,127,610	13,099,342	8,948,731
\$ 10,623,953	\$ 3,352,698	\$ 13,976,651	\$ 8,740,990

The accompanying notes are an integral part of the financial statements.

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OHIO COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

OHIO COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

	General Fund	Road and Bridge Fund	Local Government Economic Assistance Fund	Landfill Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,943,912	\$ 292,665	\$ 455,878	\$ 386,491
Total Assets	<u>1,943,912</u>	<u>292,665</u>	<u>455,878</u>	<u>386,491</u>
FUND BALANCES				
Restricted For:				
General Health and Sanitation				386,491
Protection to Persons and Property	19,981		127,645	
Roads		292,665	127,645	
Unassigned	<u>1,923,931</u>		<u>200,588</u>	
Total Fund Balances	<u>\$ 1,943,912</u>	<u>\$ 292,665</u>	<u>\$ 455,878</u>	<u>\$ 386,491</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 3,494,624
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,005,790
Accumulated Depreciation	(3,776,586)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(2,099,875)</u>
Net Assets Of Governmental Activities	<u>\$ 10,623,953</u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2011
(Continued)

Non- Major Funds	Total Governmental Funds
<u>\$ 415,678</u>	<u>\$ 3,494,624</u>
<u>415,678</u>	<u>3,494,624</u>
409,613	796,104
6,065	153,691
	420,310
	<u>2,124,519</u>
<u>\$ 415,678</u>	<u>\$ 3,494,624</u>

The accompanying notes are an integral part of the financial statements.

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OHIO COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

OHIO COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	General Fund	Road And Bridge Fund	Local Government Economic Assistance Fund	Landfill Fund
REVENUES				
Taxes	\$ 3,576,635	\$	\$	\$
Licenses and Permits	114,621			
Intergovernmental	1,748,730	2,118,671	1,033,537	
Charges for Services	161,652			98,930
Miscellaneous	827,578	44,653		
Interest	14,547	2,618	1,061	4,255
Total Revenues	<u>6,443,763</u>	<u>2,165,942</u>	<u>1,034,598</u>	<u>103,185</u>
EXPENDITURES				
Current:				
General Government	3,619,298		230,774	
Protection to Persons and Property	1,027,405		291,080	
General Health and Sanitation	183,115			20,385
Social Services	230,698			
Recreation and Culture	228,947		9,000	
Roads		1,920,019	294,663	
Airports	8,160		2,886	
Debt Service	147,927	81,996	74,270	
Capital Projects		35,636		
Administration	787,436	315,316		
Total Expenditures	<u>6,232,986</u>	<u>2,352,967</u>	<u>902,673</u>	<u>20,385</u>
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	<u>210,777</u>	<u>(187,025)</u>	<u>131,925</u>	<u>82,800</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds		215,775		
Transfers from Other Funds	550,000			550,000
Transfers to Other Funds	(857,476)			(550,000)
Total Other Financing Sources (Uses)	<u>(307,476)</u>	<u>215,775</u>		
Net Change in Fund Balances	(96,699)	28,750	131,925	82,800
Fund Balances - Beginning (Restated)	2,040,611	263,915	323,953	303,691
Fund Balances - Ending	<u>\$ 1,943,912</u>	<u>\$ 292,665</u>	<u>\$ 455,878</u>	<u>\$ 386,491</u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 5,998	\$ 3,582,633
	114,621
	4,900,938
98,930	359,512
	872,231
1,173	23,654
106,101	9,853,589
	3,850,072
2,785	1,321,270
	203,500
186,566	417,264
	237,947
	2,214,682
	11,046
	304,193
	35,636
	1,102,752
189,351	9,698,362
(83,250)	155,227
	215,775
307,476	1,407,476
	(1,407,476)
307,476	215,775
224,226	371,002
191,452	3,123,622
\$ 415,678	\$ 3,494,624

The accompanying notes are an integral part of the financial statements.

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**OHIO COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2011

OHIO COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 371,002
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	854,341
Depreciation Expense	(411,266)
Assets disposed of, net book value	(145,658)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds	(215,775)
Financing Obligations Principal Payments	199,577

Change in Net Assets of Governmental Activities	<u><u>\$ 652,221</u></u>
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OHIO COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

OHIO COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Jail Canteen Fund</u>	<u>Airport Board Fund</u>	<u>Totals</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 11,976	\$ 34,917	\$ 46,893
Total Current Assets	<u>11,976</u>	<u>34,917</u>	<u>46,893</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated			
Construction in Progress		307,471	307,471
Land		215,203	215,203
Land Improvements		2,341,970	2,341,970
Building and Building Improvements		437,130	437,130
Machinery and Equipment		4,031	4,031
Total Noncurrent Assets		<u>3,305,805</u>	<u>3,305,805</u>
Total Assets	<u>11,976</u>	<u>3,340,722</u>	<u>3,352,698</u>
Net Assets			
Invested in Capital Assets,			
Net of Related Debt		3,305,805	3,305,805
Unrestricted	11,976	34,917	46,893
Total Net Assets	<u>\$ 11,976</u>	<u>\$ 3,340,722</u>	<u>\$ 3,352,698</u>

The accompanying notes are an integral part of the financial statements.

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OHIO COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

OHIO COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	<u>Business-Type Activities - Enterprise Fund</u>		
	Jail Canteen Fund	Airport Board Fund	Totals
Operating Revenues			
Canteen Receipts	\$ 11,396	\$	\$ 11,396
Rental Services		9,725	9,725
Other Receipts		31,419	31,419
Total Operating Revenues	<u>11,396</u>	<u>41,144</u>	<u>52,540</u>
Operating Expenses			
Educational and Recreational	2,312		2,312
Professional Fees		2,211	2,211
Repairs and Maintenance		4,149	4,149
Utilities		6,625	6,625
Depreciation		108,659	108,659
Supplies		500	500
Annual Dues		1,526	1,526
Miscellaneous	5,097	1,118	6,215
Total Operating Expenses	<u>7,409</u>	<u>124,788</u>	<u>132,197</u>
Operating Income (Loss)	<u>3,987</u>	<u>(83,644)</u>	<u>(79,657)</u>
Nonoperating Revenues (Expenses)			
Interest Income	20	210	230
Federal Receipts		303,172	303,172
State Receipts		1,343	1,343
Total Nonoperating Revenues (Expenses)	<u>20</u>	<u>304,725</u>	<u>304,745</u>
Change in Net Assets	4,007	221,081	225,088
Total Net Assets - Beginning	<u>7,969</u>	<u>3,119,641</u>	<u>3,127,610</u>
Total Net Assets - Ending	<u>\$ 11,976</u>	<u>\$ 3,340,722</u>	<u>\$ 3,352,698</u>

The accompanying notes are an integral part of the financial statements.

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OHIO COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

OHIO COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Jail Canteen Fund</u>	<u>Airport Board Fund</u>	<u>Totals</u>
Cash Flows From Operating Activities			
Cash Receipts From Customers	\$ 11,396	\$	\$ 11,396
Cash Receipts From Rental		9,725	9,725
Cash Receipts From Other	(5,097)	31,419	26,322
Cash Payments For Professional Fees		(2,211)	(2,211)
Cash Payment For Goods and Services	(2,312)	(13,918)	(16,230)
Net Cash Provided By Operating Activities	3,987	25,015	29,002
Cash Flows From Capital and Related Financing Activities			
Federal Receipts		303,172	303,172
State Receipts		1,343	1,343
Capital Outlay		(331,481)	(331,481)
Net Cash Provided (Used) By Capital and Related Financing Activities		(26,966)	(26,966)
Cash Flows From Investing Activities			
Interest Earned	20	210	230
Net Cash Provided By Investing Activities	20	210	230
Net Increase (Decrease) in Cash and Cash Equivalents	4,007	(1,741)	2,266
Cash and Cash Equivalents - July 1	7,969	36,658	44,627
Cash and Cash Equivalents - June 30	\$ 11,976	\$ 34,917	\$ 46,893

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
 STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND - MODIFIED CASH BASIS
 For The Year Ended June 30, 2011
 (Continued)

	<u>Business-Type Activites - Enterprise Fund</u>		
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	<u>Jail Canteen Fund</u>	<u>Airport Board Fund</u>	<u>Totals</u>
Operating Income (Loss)	\$ 3,987	\$ (83,644)	\$ (79,657)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense		108,659	108,659
Net Cash Provided By Operating Activities	<u>\$ 3,987</u>	<u>\$ 25,015</u>	<u>\$ 29,002</u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, the financial statements of the Ohio County Hospital Corporation, a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, all assets and liabilities are recognized on the Statement of Net Assets. Revenues are recorded when earned and liabilities are recorded when incurred, regardless of timing of cash.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets, and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Ohio County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Ohio County Airport Board

The Ohio County Airport Board is not legally separate from the Ohio County Fiscal Court. The Fiscal Court has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Airport Board. Financial information for the Airport Board is blended within Ohio County's financial statements. All activities of the Airport Board are accounted for within a major enterprise fund.

Ohio County Public Facilities Corporation

The Ohio County Fiscal Court appoints the Public Facilities Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Facilities Corporation. There was no financial activity for the Public Facilities Corporation in the fiscal year ended June 30, 2011.

Discretely Presented Component Units

The component unit column in the combined financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

Ohio County Hospital Corporation

The Ohio County Fiscal Court (Fiscal Court) appoints a voting majority of the Ohio County Hospital Corporation governing board. The Ohio County Hospital Corporation is financially accountable and legally obligated for the debt of the hospital as long as a lease dated March 1, 1995, and between the Ohio County Public Facilities Corporation, a component unit of Ohio County and the Ohio County Hospital Corporation is in effect. The Ohio County Hospital Corporation may make additional improvements to the hospital at its own cost, which becomes part of the hospital. Exclusion of this entity as a component unit of Ohio County would cause the county's financial statements to be misleading or incomplete. The financial information for the Hospital is presented discretely within Ohio County's financial statements.

Audited financial statements for the Ohio County Hospital Corporation, a discretely presented component unit, may be requested by contacting the Ohio County Hospital, 1211 Main Street, Hartford Kentucky 42347.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Ohio County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Ohio County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Ohio County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for local government development funds received from the state government. The funds may be used for roads, protection of persons and property, social services and general health and sanitation expenditures.

Landfill Fund - The primary purpose of this fund is to account for landfill revenue and water project expenditures.

The primary government also has the following non-major funds: Federal Grants Fund, Forest Fire Fund, and Waterline Fund.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Special Revenue Funds:

The Road and Bridge Fund, Local Government Economic Assistance Fund, Federal Grants Fund, Forest Fire Fund, Landfill Fund, and Waterline Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales and services in the Jail Canteen Fund and the Airport Board Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary funds:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Airport Board Fund - The primary purpose of this fund is to account for the activities of the airport. The primary sources of revenue for this fund are from charges to customers and federal aviation grants.

Presentation of Component Unit

The financial statements present the following major discretely presented component unit: Ohio County Hospital Corporation.

This component unit is presented in separate columns in the combined financial statements. It also reported on the Statement of Net Assets and the Statement of Activities in a separate total column that is labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 20,000	10-60
Buildings	\$ 50,000	10-75
Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 10,000	3-25
Vehicles	\$ 10,000	3-25
Infrastructure	\$ 50,000	10-50

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted - amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed - amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned - for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned - for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Ohio County Hospital Corporation (discretely presented component unit), Ohio County Airport Board (blended component unit), and the Ohio County Jail Commissary (blended component unit) Funds are not budgeted. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Ohio County Fiscal Court: the Ohio County Water District, the Ohio County Library, and the Ohio County Tourism Commission are considered related organizations of the Ohio County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Ohio County Fiscal Court:

- Bluegrass Crossing Industrial Authority (with McLean, Muhlenberg, Hancock, and Daviess Counties)
- Ohio County Regional Wastewater District (with the Cities of Hartford, Centertown, and Beaver Dam)

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 2. Deposits

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(D). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. As of September 30, 2011, all of the discretely presented component unit's deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Operating Leases

Noncancellable operating leases for the Ohio County Hospital Corporation for equipment expire in various years through 2015. Rent expense totaled approximately \$790,961 and \$760,553 in 2011 and 2010, respectively. Future required minimum lease payments on these leases were as follows:

Fiscal Year Ended September 30	Amount
2012	\$ 434,632
2013	309,155
2014	206,619
2015	65,533
Total Minimum Lease Payments	<u>\$ 1,015,939</u>

Note 4. Interfund Receivables, Payables, and Transfers

	General Fund	Landfill Fund	Total Transfers In
Landfill Fund	\$ 550,000	\$ 550,000	\$ 1,100,000
Non-Major	<u>307,476</u>	<u> </u>	<u>307,476</u>
Total Transfers Out	<u>\$ 857,476</u>	<u>\$ 550,000</u>	<u>\$ 1,407,476</u>

Reasons For Transfers:

1. To move resources from the General Fund, for budgetary purposes, to the fund that will expend them.
2. To move resources from the Landfill Fund, for budgetary purposes, back to the General Fund.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 926,147	\$	\$ (7,083)	\$ 919,064
Total Capital Assets Not Being Depreciated	926,147		(7,083)	919,064
Capital Assets, Being Depreciated:				
Land Improvements	31,500			31,500
Buildings and Building Improvements	5,740,947		(24,274)	5,716,673
Machinery and Equipment	2,337,452	313,227	(283,255)	2,367,424
Vehicles	1,371,779	119,426		1,491,205
Infrastructure	2,058,236	421,688		2,479,924
Total Capital Assets Being Depreciated	11,539,914	854,341	(307,529)	12,086,726
Less Accumulated Depreciation for:				
Land Improvements	(1,134)	(1,134)		(2,268)
Buildings and Building Improvements	(1,891,126)	(93,826)	18,643	(1,966,309)
Machinery and Equipment	(754,943)	(141,819)	150,311	(746,451)
Vehicles	(622,697)	(99,190)		(721,887)
Infrastructure	(264,374)	(75,297)		(339,671)
Total Accumulated Depreciation	(3,534,274)	(411,266)	168,954	(3,776,586)
Total Capital Assets, Being Depreciated, Net	8,005,640	443,075	(138,575)	8,310,140
Governmental Activities Capital Assets, Net	\$ 8,931,787	\$ 443,075	\$ (145,658)	\$ 9,229,204

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 103,374
Protection to Persons and Property	89,491
Social Services	3,600
Recreation and Culture	15,492
Roads, Including Depreciation of General Infrastructure Assets	<u>199,309</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 411,266</u>

Capital asset activity for Business-Type Activities for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 215,203	\$	\$	\$ 215,203
Construction in Progress	1,050,308	331,481	(1,074,318)	307,471
Total Capital Assets Not Being Depreciated	<u>1,265,511</u>	<u>331,481</u>	<u>(1,074,318)</u>	<u>522,674</u>
Capital Assets, Being Depreciated:				
Land Improvements	1,824,493	1,074,318		2,898,811
Buildings and Building Improvements	633,825			633,825
Machinery and Equipment	40,320			40,320
Total Capital Assets Being Depreciated	<u>2,498,638</u>	<u>1,074,318</u>		<u>3,572,956</u>
Less Accumulated Depreciation for:				
Land Improvements	(474,739)	(82,102)		(556,841)
Buildings and Building Improvements	(173,767)	(22,928)		(196,695)
Machinery and Equipment	<u>(32,660)</u>	<u>(3,629)</u>		<u>(36,289)</u>
Total Accumulated Depreciation	<u>(681,166)</u>	<u>(108,659)</u>		<u>(789,825)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,817,472</u>	<u>965,659</u>		<u>2,783,131</u>
Business-Type Activities Capital Assets, Net	\$ 3,082,983	\$ 1,297,140	\$ (1,074,318)	\$ 3,305,805

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions of the Business-Type Activities as follows:

<u>Business-Type Activities</u>	
Airport Board	<u>\$ 108,659</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 108,659</u></u>

Capital Asset activity for the discretely presented component unit for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 416,987	\$	\$	\$ 416,987
Construction in Progress	179,031	218,115		397,146
Total Capital Assets Not Being Depreciated	596,018	218,115		814,133
Capital Assets, Being Depreciated:				
Land Improvements	346,964	132,724		479,688
Buildings	5,583,636	2,293,389		7,877,025
Equipment	12,880,318	807,062		13,687,380
Total Capital Assets Being Depreciated	18,810,918	3,233,175		22,044,093
Less Accumulated Depreciation for:				
Land Improvements	(237,582)	(18,099)		(255,681)
Buildings	(3,278,000)	(156,028)		(3,434,028)
Equipment	(10,258,204)	(651,971)		(10,910,175)
Total Accumulated Depreciation	(13,773,786)	(826,098)		(14,599,884)
Total Capital Assets, Being Depreciated, Net	5,037,132	2,407,077		7,444,209
Capital Assets, Net	\$ 5,633,150	\$ 2,625,192	\$ 0	\$ 8,258,342

Depreciation expense was charged to functions of the discretely presented component unit as follows:

Ohio County Hospital Corporation	<u>\$ 826,098</u>
Total Depreciation Expense - Business Activities	<u><u>\$ 826,098</u></u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt

A. Road Department Building

The County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust on July 12, 1996, for the building of a road garage building in the amount of \$106,000. The interest rate is variable for 20 years. The termination date is October 20, 2011. The principal balance at June 30, 2011 was \$4,012. Future debt service requirements of the Road and Bridge Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 4,012	\$ 34
Totals	<u>\$ 4,012</u>	<u>\$ 34</u>

B. Capital Projects

The County entered into an installment loan with the Bank of Ohio County on November 18, 2005 in the amount of \$1,600,000. The purpose of the loan was to finance the acquisition of property, to finance renovations and improvements to the courthouse, and to retire the Ohio County Buildings Commission First Mortgage Revenue Bonds, Series 1979. The interest rate is 4.92 percent for a period of twenty years with principal and interest payments due monthly. The principal balance at June 30, 2011 was \$1,299,418. Future debt service requirements of the General Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 63,046	\$ 63,566
2013	66,438	60,174
2014	69,829	56,783
2015	73,393	53,219
2016	77,024	49,608
2017-2021	448,797	184,262
2022-2026	<u>500,891</u>	<u>58,290</u>
Totals	<u>\$ 1,299,418</u>	<u>\$ 525,902</u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

C. Park Land

On January 14, 2008 the County entered into an agreement with the Kentucky Association of Counties Leasing Trust in the sum of \$250,000 with a variable interest rate. The financing obligation was used to purchase land to be used at the park. The maturity date of the obligation is January 20, 2023. The balance of the obligation at June 30, 2011 was \$209,967. Future debt service requirements of the General Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 12,844	\$ 8,886
2013	13,654	8,325
2014	14,516	7,733
2015	15,432	7,102
2016	16,406	6,438
2017-2021	98,930	20,562
2022-2023	38,185	1,801
Totals	<u>\$ 209,967</u>	<u>\$ 60,847</u>

D. Dump Truck

On March 10, 2009, the County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$103,194 for the purpose of refinancing a short-term lease agreement from the prior year that was used to purchase a 2009 tri-axle dump truck. The interest rate is variable with payments due on the 20th of each month and principal payments due annually on January 20th until the termination date of January 20, 2013. The principal balance at June 30, 2011 was \$53,194. Future debt service requirements of the Road and Bridge Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 25,000	\$ 2,054
2013	28,194	840
Totals	<u>\$ 53,194</u>	<u>\$ 2,894</u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

E. EMS Building

On August 5, 2009, the County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$300,000 for the purpose of financing the construction costs for a new EMS building. The interest rate is variable with payments due on the 20th of each month and principal payments due monthly on the 20th until the termination date of August 20, 2017. The principal balance at June 30, 2011 was \$239,459. Future debt service requirements of the Local Government Economic Assistance Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 34,939	\$ 9,795
2013	36,363	8,270
2014	37,844	6,709
2015	39,412	5,044
2016	41,114	3,248
2017-2018	49,787	1,538
Totals	<u>\$ 239,459</u>	<u>\$ 34,604</u>

F. Pothole Patcher

On June 29, 2010, the County entered into a capital lease agreement with the Bank of Ohio County in the amount of \$134,825 for the purchase of a Rosco by LeeBoy RA400 road spray patcher. The interest rate is 4.890% for a period of five years with principal and interest due monthly. The principal balance at June 30, 2011 was \$110,457. Future debt service requirements of the Road and Bridge Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 25,590	\$ 4,914
2013	26,901	3,603
2014	28,266	2,238
2015	29,700	804
Totals	<u>\$ 110,457</u>	<u>\$ 11,559</u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

G. Grader

On January 24, 2011, the County entered into a capital lease agreement with the Bank of Ohio County in the amount of \$215,775 for the purchase of a Caterpillar Grader. The interest rate is 4.890% for a period of five years with principal and interest due monthly. The principal balance at June 30, 2011 was \$183,368. Future debt service requirements of the LGEA fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 23,420	\$ 5,017
2013	41,823	6,990
2014	43,944	4,869
2015	46,173	2,640
2016	28,008	466
Totals	<u>\$ 183,368</u>	<u>\$ 19,982</u>

H. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 2,083,677</u>	<u>\$ 215,775</u>	<u>\$ 199,577</u>	<u>\$ 2,099,875</u>	<u>\$ 844,222</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 2,083,677</u>	<u>\$ 215,775</u>	<u>\$ 199,577</u>	<u>\$ 2,099,875</u>	<u>\$ 844,222</u>

I. Obligations Issued By the Ohio County Public Facilities Corporation

Effective August 30, 2005, the Hospital entered into a lease agreement and trust indenture with the County of Ohio, Kentucky, to pay principal and interest on the Series 2005 bond issue. The bonds mature serially at varying amounts through March 1, 2015, and require annual principal and semi-annual interest payments at rates ranging from 3.75% to 4.50%. The bonds are collateralized by all revenues generated by the Hospital. Under the terms of the lease agreement and trust indenture, the Hospital is required to maintain certain deposits with a trustee. These deposits are included with assets limited as to use in the financial statements.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

I. Obligations Issued By the Ohio County Public Facilities Corporation

Effective September 29, 2010, the Hospital entered into a lease agreement and trust indenture with the County of Ohio, Kentucky, to pay principal and interest on the Series 2010 bond issue. The bonds mature serially at varying amounts through March 1, 2030, and require annual principal and semi-annual interest payments at a 4.00% rate. The bonds are collateralized by all revenues generated by the Hospital. Under the terms of the lease agreement and trust indenture, the Hospital is required to maintain certain deposits with a trustee. These deposits are included with assets limited as to use in the financial statements.

J. Diagnostic Equipment

The Hospital entered into equipment capital lease agreements maturing in March 2011 and July 2015 totaling \$583,070. These lease agreements bear interest at an imputed interest rate of 8.50% and 6.35%.

K. Bank of Ohio County

The Hospital entered into a loan agreement maturing April 1, 2012; payable in monthly installments of \$8,365, including interest at 7.25%; secured by certain real estate.

L. Kentucky Trust Bank

The Hospital entered into a loan agreement maturing June 30, 2014; payable in monthly installments of \$3,042, including interest at 7.14%; secured by certain real estate and equipment.

M. Aggregate Annual Maturities of Long-term Debt - Discretely Presented Component Unit

The amounts of required principal payments on long-term debt and payments on capital lease obligations at September 30, 2011, were as follows:

<u>Fiscal Year Ended September 30</u>	<u>Revenue Bonds</u>	<u>Capital Lease Obligation</u>
2012	\$ 655,371	\$ 80,128
2013	633,472	80,128
2014	643,696	80,128
2015	645,000	60,096
2016	150,000	
Thereafter	<u>2,865,000</u>	
Less amount representing interest		<u>33,798</u>
Totals	<u>\$ 5,592,539</u>	<u>\$ 266,682</u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

N. Changes in Long-term Debt- Discretely Presented Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 5,930,000	\$	\$ 597,089	\$ 5,332,911	\$ 575,000
Financing Obligations	620,710		94,400	526,310	160,499
Governmental Activities					
Long-term Liabilities	<u>\$ 6,550,710</u>	<u>\$ 0</u>	<u>\$ 691,489</u>	<u>\$ 5,859,221</u>	<u>\$ 735,499</u>

Note 7. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$104,616 in interest on financing obligations.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2009 was \$329,002, FY 2010 was \$398,717, and FY 2011 was \$423,113.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 8. Employee Retirement System (Continued)

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

On November 25, 1985, the Ohio County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 9. Deferred Compensation (Continued)

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2011, Ohio County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Commitments and Contingencies

During 2009, The Ohio County Fiscal Court entered into an agreement with the Ohio County Water District to provide annual payments of principal, interest, and fees up to \$3,000,000 of the Kentucky Infrastructure Authority (KIA) loan the Water District incurred for the construction of a new water treatment plant and related facilities. The agreement authorized and provided for the County to have pre-payment privilege. The County was approved to make pre-payments of all or part of the Water District KIA loan obligation made by the Fiscal Court without any pre-payment penalty. A pre-payment in the amount of \$450,000 was made to the Water District on or about April 1, 2009, and an additional \$550,000 loan pre-payment was offered by the Fiscal Court to the Water District to be made by the Fiscal Court upon approval and execution of the Amendment to the Agreement. The payment of \$550,000 will reduce the loan payment obligations of the County by \$1,000,000, thereby leaving only a maximum KIA loan payment obligation by the County of \$2,000,000 in principal, and the interest and loan servicing fee. The Fiscal Court's financial obligation shall continue until the KIA loan has been paid in full, and the County agrees to reserve sufficient funds each year in its annual budget to provide for such payments.

The Green River Regional Industrial Development Authority (GRIDDA) and the Ohio County Fiscal Court entered into an agreement on April 1, 2009 to pay \$1,000,000 of the \$3,000,000 KIA loan for or to the Water District. During the fiscal year, GRIDDA paid \$487,629 plus an additional sum of \$62,371 by the deductions (less interest payable of \$62,371) made to the County from the revenue sharing funds due and payable to GRIDDA pursuant to the Interlocal Agreement.

Note 12. Landfill

Ohio County holds the permit for the landfill, known as the Ohio County Balefill. The County owns the land and all capital improvements. Republic Services of KY, LLC, DBA Ohio County Balefill won the bid on the landfill franchise and operates and maintains the landfill. The franchise must be re-bid every twenty years. Republic pays the County \$1.60 per ton in tipping fees. The liability for closure and post closure costs lies with Republic for 30 years after the closure of the landfill.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 13. Assets Limited as to Use and Investment Return

Assets limited as to use, which are composed of money market funds, are stated at market value. Amounts required to meet certain liabilities of the Ohio County Hospital Corporation are included in current assets.

Assets limited as to use at September 30, 2011 included the following:

Held by trustee - money market mutual funds	\$ 1,455,516
Less amount required to meet current obligations	<u>(758,116)</u>
Net Amount Assets Limited As To Use	<u>\$ 697,400</u>
Amount for 457(b) retirement plan -	
Cash	<u>\$ 2,045</u>

Investment return on assets limited as to use includes interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments.

Note 14. Patient Accounts Receivable

Patient accounts receivable for the Ohio County Hospital Corporation are stated at net realizable amounts from patients, third-party payers and others for services rendered, plus any accrued and unpaid interest. The Hospital provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Patient accounts receivable are ordinarily due 30 days after the issuance of the invoice. Balances past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient or third-party payer.

Note 15. Difference in Fiscal Year End of Discretely Presented Component Unit

The Ohio County Hospital Corporation, a discretely presented component unit of the Ohio County Fiscal Court, has a fiscal year end of September 30, 2011. The Fiscal Court, the primary government, has a fiscal year end of June 30, 2011. All amounts reported for the Ohio County Hospital Corporation represent account balances, receipts, and disbursements as of September 30, 2011.

Note 16. Prior Period Adjustment

Beginning Governmental Net Assets has been restated. The beginning balance of financing obligations has been restated to include a lease dated June 29, 2010. The effect of this change is a net decrease of \$134,825 in net assets in the governmental activities.

Note 17. Change in Accounting Principle

Ohio County has adopted Governmental Accounting Standards Board's Statement number 54. This standard requires special revenue funds to receive a significant portion of their revenues as restricted for use by entities outside the county. The County properly uses an Occupational Tax Fund and Jail Fund in accordance with State Local Finance Officer requirements, but because the Occupational Tax Fund and Jail Fund do not receive any restricted revenue they do not meet the definition of a special revenue fund. Therefore, fund balances, revenues, and expenses of the Occupational Tax Fund and Jail Fund are reported in the General Fund.

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,129,900	\$ 1,129,900	\$ 1,198,640	\$ 68,740
Licenses and Permits	131,100	131,100	114,621	(16,479)
Intergovernmental Revenue	2,690,240	2,704,540	1,616,106	(1,088,434)
Charges for Services	89,750	89,750	121,148	31,398
Miscellaneous	126,332	174,499	319,314	144,815
Interest	4,100	4,100	1,646	(2,454)
Total Revenues	4,171,422	4,233,889	3,371,475	(862,414)
EXPENDITURES				
General Government	2,962,882	3,010,450	2,780,317	230,133
Protection to Persons and Property	1,384,104	1,454,289	548,148	906,141
General Health and Sanitation	201,593	232,420	183,115	49,305
Social Services	259,292	259,767	230,698	29,069
Recreation and Culture	315,117	322,510	228,947	93,563
Airports	18,000	18,000	8,160	9,840
Debt Service	147,928	148,973	147,927	1,046
Administration	668,782	858,513	589,815	268,698
Total Expenditures	5,957,698	6,304,922	4,717,127	1,587,795
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,786,276)	(2,071,033)	(1,345,652)	725,381
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	1,711,276	1,711,276	1,400,000	(311,276)
Total Other Financing Sources (Uses)	1,711,276	1,711,276	1,400,000	(311,276)
Net Changes in Fund Balance	(75,000)	(359,757)	54,348	414,105
Fund Balance - Beginning	75,000	359,757	359,757	
Fund Balance - Ending	\$ 0	\$ 0	\$ 414,105	\$ 414,105

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

	ROAD AND BRIDGE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 250	\$ 250	\$	\$ (250)
Intergovernmental Revenue	2,014,344	2,290,217	2,118,671	(171,546)
Miscellaneous	27,500	31,856	44,653	12,797
Interest	8,000	8,000	2,618	(5,382)
Total Revenues	2,050,094	2,330,323	2,165,942	(164,381)
EXPENDITURES				
Roads	1,667,438	2,090,212	1,920,019	170,193
Debt Service	272,656	277,130	81,996	195,134
Capital Projects		80,000	35,636	44,364
Administration	454,658	441,554	315,316	126,238
Total Expenditures	2,394,752	2,888,896	2,352,967	535,929
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(344,658)	(558,573)	(187,025)	371,548
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds	200,000	200,000	215,775	15,775
Transfers from Other Funds	94,658	94,658		(94,658)
Total Other Financing Sources (Uses)	294,658	294,658	215,775	(78,883)
Net Changes in Fund Balance	(50,000)	(263,915)	28,750	292,665
Fund Balance - Beginning	50,000	263,915	263,915	
Fund Balance - Ending	\$ 0	\$ 0	\$ 292,665	\$ 292,665

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,656,000	\$ 1,656,000	\$ 1,033,537	(622,463)
Interest	2,000	2,000	1,061	(939)
Total Revenues	1,658,000	1,658,000	1,034,598	(623,402)
EXPENDITURES				
General Government	1,039,900	1,046,720	260,441	786,279
Protection to Persons and Property	294,600	294,600	291,080	3,520
Social Services	5,000	5,000		5,000
Recreation and Culture	9,000	9,000	9,000	
Roads	248,100	294,673	294,663	10
Airports	2,900	2,900	2,886	14
Debt Service	45,000	45,000	44,603	397
Administration	53,500	284,060		284,060
Total Expenditures	1,698,000	1,981,953	902,673	1,079,280
Net Changes in Fund Balances	(40,000)	(323,953)	131,925	455,878
Fund Balances - Beginning	40,000	323,953	323,953	
Fund Balances - Ending	\$ 0	\$ 0	\$ 455,878	\$ 455,878

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 132,000	\$ 132,000	\$ 98,930	\$ (33,070)
Interest	1,500	1,500	4,255	2,755
Total Revenues	133,500	133,500	103,185	(30,315)
EXPENDITURES				
General Health and Sanitation	133,500	133,500	20,385	113,115
Administration	295,000	303,691		303,691
Total Expenditures	428,500	437,191	20,385	416,806
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(295,000)	(303,691)	82,800	386,491
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds			550,000	550,000
Transfers to Other Funds			(550,000)	(550,000)
Total Other Financing Sources (Uses)				
Net Changes in Fund Balances	(295,000)	(303,691)	82,800	386,491
Fund Balances - Beginning	295,000	303,691	303,691	
Fund Balances - Ending	\$ 0	\$ 0	\$ 386,491	\$ 386,491

OHIO COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Reconciliation of General Fund

Total Revenues - Budgetary Basis	\$ 3,371,475
Revenues from Occupational Tax Fund and Jail Fund reported within General Fund as a result of the adoption of GASB 54	<u>3,072,288</u>
Total Revenues - Modified Cash Basis	<u><u>6,443,763</u></u>
Total Expenditures - Budgetary Basis	4,717,127
Expenditures from Occupational Tax Fund and Jail Fund reported within General Fund as a result of the adoption of GASB 54	<u>1,515,859</u>
Total Expenditures - Modified Cash Basis	<u><u>6,232,986</u></u>
Total Other Financing Sources(Uses) - Budgetary Basis	1,400,000
Other Financing Sources(Uses) from Occupational Tax Fund and Jail Fund reported within General Fund as a result of the adoption of GASB 54	<u>(1,707,476)</u>
Total Other Financing Sources(Uses) - Modified Cash Basis	<u><u>\$ (307,476)</u></u>

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**OHIO COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2011

OHIO COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

	Federal Grant Fund	Forest Fire Fund	Waterline Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 307,476	\$ 6,065	\$ 102,137	\$ 415,678
Total Assets	<u>307,476</u>	<u>6,065</u>	<u>102,137</u>	<u>415,678</u>
FUND BALANCES				
Restricted For:				
General Health and Sanitation	307,476		102,137	409,613
Protection to Persons and Property		6,065		6,065
Total Fund Balances	<u>\$ 307,476</u>	<u>\$ 6,065</u>	<u>\$ 102,137</u>	<u>\$ 415,678</u>

The accompanying notes are an integral part of the financial statements.

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OHIO COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2011

OHIO COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2011

	Federal Grant Fund	Forest Fire Fund	Waterline Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$ 5,998	\$	\$ 5,998
Charges for Services			98,930	98,930
Interest		18	1,155	1,173
Total Revenues		6,016	100,085	106,101
EXPENDITURES				
Protection to Persons and Property		2,785		2,785
General Health and Sanitation			186,566	186,566
Total Expenditures		2,785	186,566	189,351
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		3,231	(86,481)	(83,250)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	307,476			307,476
Total Other Financing Sources (Uses)	307,476			307,476
Net Change in Fund Balances	307,476	3,231	(86,481)	224,226
Fund Balances - Beginning		2,834	188,618	191,452
Fund Balances - Ending	\$ 307,476	\$ 6,065	\$ 102,137	\$ 415,678

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



The Honorable David Johnston, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ohio County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 19 2012, wherein, we issued a qualified opinion on the discretely presented component unit and made reference to the report of other auditors. Ohio County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Ohio County Hospital Corporation, as described in our report on Ohio County, Kentucky's financial statements. The financial statements of the Ohio County Hospital Corporation were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

Management of the Ohio County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Ohio County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ohio County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ohio County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2011-01 and 2011-02 to be material weaknesses.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

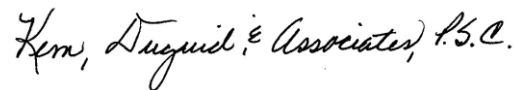
Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Ohio County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Ohio County Jailer's response to the finding identified in our audit is included in the accompanying comments and recommendations. We did not audit the County Jailer's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kem, Duguid & Associates, P.S.C.".

Kem, Duguid & Associates, PSC

March 19, 2012

**OHIO COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2011

**OHIO COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2011

INTERNAL CONTROL - MATERIAL WEAKNESSES

2011-01 The Ohio County Airport Board Deposits Were Not Made Timely

During the performance of the Airport Board proof of cash, we noted that the Airport Board was not making daily deposits. KRS 68.210 prescribes minimum accounting requirements, which include deposits of receipts intact on a daily basis.

We recommend the Fiscal Court require the Airport Board to make daily deposits in order to be in compliance with KRS 68.210.

Airport Board Chairman Paul Sandefur's Response: None.

2011-02 The Ohio County Detention Center Deposits Were Not Made Timely

During our testing of jail procedures, we noted that the jail was not turning over the fees collected from inmates on a timely basis. KRS 68.210 prescribes minimum accounting requirements, which include deposits of receipts intact on a daily basis.

We recommend the Fiscal Court require the Jail to make timely deposits in order to be in compliance with KRS 68.210.

County Jailer Gerry Wright's Response: I agree.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

OHIO COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2011**

Appendix A

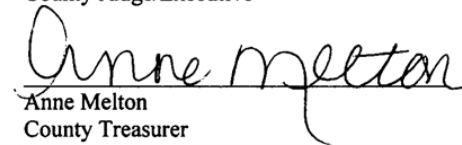
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
OHIO COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Ohio County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "David Johnston", written over a horizontal line.

David Johnston
County Judge/Executive

A handwritten signature in black ink, appearing to read "Anne Melton", written over a horizontal line.

Anne Melton
County Treasurer

